Aquila

Aquila Services Group plc

Unaudited Interim Results
for the six months ended 30 September 2018

Company Registration No. 08988813 (England and Wales)

Unaudited Interim Results for the six months ended 30 September 2018

Aquila Services Group plc (''the Company''), is the holding company for Altair Consultancy & Advisory Services Ltd (''Altair'') and Aquila Treasury and Finance Solutions Ltd ("ATFS") which form the Group (''the Group'').

The Group's expertise is in the provision, financing and management of affordable housing by housing associations, local authorities, government agencies and other non-profit organisations as well as high level business advice to the property sector.

Results Highlights

	6 months to 30 September 2018 (unaudited) £000s	**6 months to 30 September 2017 (unaudited) £000s**	**Year ended 31 March 2018 (audited) £000s**
Revenue	**3,592**	2,524	5,905
Gross Profit	**773**	676	1,562
Operating Profit	**222**	193	524
EPS	**0.47p**	0.42p	1.20p
Declared Dividend per Share	**0.29p**	0.26p	0.81p
Cash Balances	**1,029**	2,238	970

Chairman's Statement and Interim Management Report

Dear Shareholder,

I am pleased to present the half-year report and the interim results for the 6 months to 30 September 2018.

Aquila Services Group plc ("the Company") is the holding company for Altair Consultancy & Advisory Services Ltd ("Altair") and Aquila Treasury and Finance Solutions Ltd ("ATFS") which form the group ("the Group").

The Group is an independent consultancy specialising in the provision, financing and management of affordable housing by housing associations, local authorities, government agencies and other housing related organisations, as well as high level business advice to the commercial property sector.

The half-year results for the Group demonstrate the sustainability of our business model and the benefits of investment in longer term planned growth, both organic and targeted acquisitions, 3C and AssetCore.

The six months has seen a continuation of the strategy described in the annual report for the previous financial year. The streamlining of the executive team to concentrate on our particular specialisms, the integration of the pod property consultancy business following its acquisition, the development of our overseas business following the launch of the Altair Africa brand, and building our presence in the IT market by acquiring stakes in established sector businesses.

We are now seeing the results of this strategy starting to work through to both our turnover and operating profit. We enter the second half of the year with expectations of continuing progress. This confidence is reflected in the continuation of our progressive dividend policy for the half-year.

Trading Results

The Group saw an increase in turnover for the 6 months to 30 September 2018 compared to the 6 months ended 30 September 2017. Gross profit was £773k (September 2017: £676k, March 2018: £1,562k) with operating profit before share option charges of £281k (September 2017: £263k, March 2018: £660k).

	6 months to 30 September 2018 £000s	**6 months to 30 September 2017 £000s**	**Year ended 31 March 2018 £000s**
Turnover	3,592	2,524	5,905
Gross Profit	773	676	1,562
Operating profit (before share options charge)	281	263	659
Share option charge	59	70	135
Operating profit (after share option charge)	222	193	524
EPS	0.47p	0.42p	1.20p

The Group has a strong net asset position, with over £1,029k in cash held at the 30 September 2018.

Chairman's Statement

Dividend

The Directors propose to declare an interim dividend of 0.29p (2016: 0.26p) per share, an increase of 11.54% which will be paid on 21 December 2018 to shareholders on the register at 7 December 2018.

Business Review

The underlying business remains robust and there has been continuing growth of the client base in both Altair's consultancy business and the treasury advice business of ATFS. This is reflected in the increased turnover. Operating profit after the share option charge increased by 15% in the six months compared to the previous period. The increase in operating profits is after our continuing investment in the business. We expect the benefits to continue as the need to divert resources to implement the new strategies reduces and the infra-structure we have put in place matures. Growth continues to be constrained by the recruitment and retention of staff with the relevant, on the ground, experience and reputation in the sector and such recruitment has associated costs. We are starting to see some improvement in this trend which should assist longer term improved performance. We continue to encourage commitment to wider share ownership amongst all our staff through the share option programme.

The prospects for the consultancy service and the sector are encouraging. At the Conservative Party conference, it was announced that there would be in excess of £2bn for affordable housing to be bid for from 2021/22. This commitment to a longer-term programme gives housing organisations greater certainty to plan and invest in new housing projects. This support has also been confirmed in the 2018 Budget which identified longer-term strategic partnerships with a range of housing providers and is an initiative that has cross-party support. At the same time, it was announced that local authorities would be granted freedom to borrow to enable them to build more new homes. We need to see the detail and, in particular, how new borrowing will be serviced, but many local authorities are enthusiastic to take up this opportunity with affordable housing demand vastly outstripping supply in many areas. Our Property, Treasury and Finance teams are advising a number of local authorities on how to use this newly given freedom.

The importance of the housing sector, as a political priority, was emphasised by the Chancellor of the Exchequer in the Autumn Statement with removal of stamp duty on shared ownership purchases below £500,000 and some extensions of the Help to Buy equity loan scheme.

Increasingly the sector is attracting private investors who see the stable revenues from long term investment in affordable housing as part of their offering to clients seeking a home for wider funds. Our clients now include Blackstone and its registered provider Sage, Grainger plc and Civitas plc, amongst others. Most of these organisations have commissioned Altair to provide advice on the governance and technical requirements of being a regulated provider of social housing. These investments are an opportunity suitable for those looking for longer term returns. We expect other private investment houses to see this as an attractive option.

Our work across the United Kingdom and beyond continues to grow. Altair Africa is still building its brand but has now wider recognition amongst potential clients and funders. It continues to win contracts, in particular, with its work on the affordable housing programme in Nigeria. In partnership with Sweco, a significant contract has recently been signed to develop a 'Green City' in Rwanda funded by an agency of the German government. A further contract in negotiation is a review of the mortgage market in Ghana. Like other Altair Africa assignments, these are longer term contracts so profit recognition is anticipated to be realised in future financial years.

The pod property consultancy business has now been successfully integrated into the Altair team and their services as 'property advisors' is in continuing demand from housing associations, local authorities, public and private sector bodies. Notable clients now include some of the largest housing associations in London, including Peabody and Optivo as well as major public bodies such as the NHS and Transport for London. The benefits of increasing demand alongside integration with Group services should see improving fee income. This will take time to realise as many of these are also longer-term contracts. Recently, significant resources have been diverted into bids particularly when working through local authority procurement processes. Again, we expect to see a future benefit from this activity.

Against this generally positive news there are some areas where there are concerns. Like other sectors, the uncertainties relating to Brexit and world economic growth causes concern amongst our commercial clients and, also, the housing associations who generate cross-subsidy for affordable housing through sale of homes built for market sale. This is reinforced by whether the Help to Buy scheme from which much of the cross-subsidy is generated will continue to generate current revenues. Also, some local authorities and housing associations who are concerned about funding the works required to their existing housing stock following the tragic events at Grenfell are being cautious about committing to other future expenditure. Despite these factors, the overall view is that the future is positive both for the sector and our business.

Risks and Uncertainties

The Directors do not consider that the Group's principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 March 2018, which contains a detailed explanation of the risks relevant to the Group on Page 9 and is available at https://www.londonstockexchange.com/exchange/news/market-news/market-news-detail/AQSG/13696541.html

Outlook

The first six months of this financial year has seen the beginning of the benefits of our investment strategy working through to our financial results. The sector is seen as increasingly important as both a social need and an economic driver with increasing political visibility and cross-party consensus. Our business will only be successful if our clients perceive that we continue to be both relevant to their needs and offer a range of services that they can utilise for their benefit. The level of repeat business that we secure from existing clients, as well as new opportunities, gives us confidence that our strategy is right.

We will continue to develop our 'one-stop professional services' approach for the sector and balance the needs of providing a return to shareholders in the short to medium term with the resources required to ensure the long term sustainability of the business. Both need to be achieved to be attractive to clients, executive, staff and investors as well as potential acquisitions.

I have now been Chair for a little over 15 months. It is pleasing to be at the helm of a business that provides a worthwhile social service, an exciting place to work and a benefit to our investors. It would be remiss of me not to end this statement without thanking all our staff and my fellow directors.

Chairman's Statement

I look forward to reporting to you further after the year end.

Derek Joseph – Chair

23 November 2018

Directors Report

Substantial Shareholdings

As at 30 September 2018, the Company was aware of the following notifiable interests in its voting rights:

	Number of Ordinary shares	Percentage of Voting rights	Nature of holding
Richard Wollenberg*	3,808,406	10.8%	Direct
Chris Wood	3,279,440	9.3%	Direct
Susan Kane	3,279,440	9.3%	Direct
Fiona Underwood**	3,279,440	9.3%	Direct
Steven Douglas	3,144,305	8.9%	Direct
Derek Joseph	3,005,538	8.5%	Direct
Jeffrey Zitron	2,798,403	7.9%	Direct
Matt Carroll	1,307,229	3.7%	Direct
Hannah Breitschadel	1,307,229	3.7%	Direct

*Includes shares held by immediate family members of Richard Wollenberg
**Fiona Underwood's shares are held in a nominee account at Old Mutual plc.

Related Party Transactions

During the 6 months to 30 September 2018, the non-executive directors were paid fees of £5,054 (6 months to September 2017: £6,375).

During the 6 months to 30 September 2018, the Group charged £5,214 (6 months to September 2017: £9,686) to DMJ Consultancy Services Limited for office costs and secretarial services, a company in which Derek Joseph is a director and shareholder.

Remuneration of Directors and key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below.

	6 months to 30 September 2018 (unaudited)	**6 months to 30 September 2017 (unaudited)**	**Year ended 31 March 2018 (audited)**
Short-term employee benefits	283,592	316,512	571,880
Share-based payments	31,351	56,500	113,000
Post-retirement benefits	10,378	8,850	17,700
	325,321	381,862	702,580

Corporate Governance

The UK Corporate Governance Code (September 2014) (the code), as appended to the listing rules, sets out Principles of Good Corporate Governance and Code provisions which are applicable to listed companies incorporated in the United Kingdom. As a standard listed company, the Company is not subject to the UK Corporate Governance Code but the Board recognises the value of applying the principles of the code where appropriate and proportionate and endeavours to do so where practicable.

Directors Report

Responsibility Statement

The Directors, whose names and functions are set out at the end of this report, are responsible for preparing the Unaudited Interim Condensed Consolidated Financial Statements in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('DTR') and with International Accounting Standard 34 on Interim Financial reporting (IAS34). The Directors confirm that, to the best of their knowledge, this unaudited interim condensed consolidated report has been prepared in accordance with IAS34 as adopted by the European Union. The interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 namely:

- an indication of key events occurred during the period and their impact on the unaudited interim condensed consolidated financial statements and a description of the principal risks and uncertainties for the second half of the financial year, and
- related party transactions that have taken place during the period and that have materially affected the financial position or the performance of the business during that period.

Susan Kane – Group Finance Director

23 November 2018

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 September 2018

	Six months to 30 September 2018 (unaudited) £	Six months to 30 September 2017 (unaudited) £	Year ended 31 March 2018 (audited) £
Revenue	3,592,129	2,524,200	5,905,221
Cost of sales	(2,818,980)	(1,848,222)	(4,343,456)
Gross profit	773,149	675,978	1,561,765
Administrative expenses	(551,460)	(482,896)	(1,037,287)
Operating profit	221,689	193,082	524,475
Finance income	22	887	3,596
Profit before taxation	221,711	193,969	528,074
Income tax expense	(55,640)	(58,191)	(123,390)
Profit and total comprehensive income for the period	**166,071**	**135,778**	**404,684**
Earnings per share attributable to owners of the parent			
Weighted average number of shares:			
Basic	35,265,461	32,651,003	33,746,926
Diluted	39,989,368	37,357,238	38,429,011
Basic earnings per share	0.47p	0.42p	1.20p
Diluted earnings per share	0.42p	0.36p	1.05p

Condensed Consolidated Statement of Financial Position
As at 30 September 2018

	30 September 2018 (unaudited) £	30 September 2018 (unaudited) £	31 March 2018 (audited) £
Non-current assets			
Goodwill	2,027,688	317,688	2,027,688
Property, plant and equipment	90,458	71,241	95,747
Investment in associates	226,620	–	226,620
Investments	121,104	–	121,104
	2,465,870	388,929	2,471,159
Current assets			
Trade and other receivables	2,192,146	1,210,162	2,109,678
Cash and bank balances	1,028,951	2,237,725	969,987
	3,221,097	3,447,887	3,079,665
Current liabilities			
Trade and other payables	1,143,599	657,474	1,094,690
Corporation tax	197,415	192,944	141,775
	1,341,014	850,418	1,236,465
Net current assets	1,880,083	2,597,469	1,843,200
Net assets	**4,345,953**	**2,986,398**	**4,314,359**
Equity			
Share capital	1,763,273	1,632,550	1,763,273
Share premium account	1,487,512	533,235	1,487,512
Reverse acquisition reserve	(4,771,473)	(4,771,473)	(4,771,473)
Merger reserve	7,184,334	7,184,334	7,184,334
Share-based payment reserve	617,136	491,908	557,653
Retained losses	(1,934,829)	(2,084,156)	(1,906,940)
Equity attributable to the owners of the parent	**4,345,953**	**2,986,398**	**4,314,359**

Aquila Services Group plc

Condensed Consolidated Statement of Changes in Equity

	Share capital £	Share premium account £	Reverse acquisition reserve £	Merger relief reserve £	Share based payment reserve £	Retained losses £	Total equity £
As at 1 April 2017	**1,632,550**	**533,235**	**(4,771,473)**	**7,184,334**	**422,391**	**(2,056,679)**	**2,944,358**
Total comprehensive income	–	–	–	–	–	135,778	135,778
Share based payment	–	–	–	–	69,517	–	69,517
Dividend	–	–	–	–	–	(163,255)	(163,255)
As at 30 September 2017	**1,632,550**	**533,235**	**(4,771,473)**	**7,184,334**	**491,908**	**(2,084,156)**	**2,986,398**
Issue of shares	130,723	954,277	–	–	–	–	1,085,000
Total comprehensive income	–	–	–	–	–	268,906	268,906
Share based payment	–	–	–	–	65,745	–	65,745
Dividend	–	–	–	–	–	(91,690)	(91,690)
As at 31 March 2018	**1,763,273**	**1,487,512**	**(4,771,473)**	**7,184,334**	**557,653**	**(1,906,940)**	**4,314,359**
Total comprehensive income	–	–	–	–	–	166,071	166,071
Share based payment	–	–	–	–	59,483	–	59,483
Dividend	–	–	–	–	–	(193,960)	(193,960)
As at 30 September 2018	**1,763,273**	**1,487,512**	**(4,771,473)**	**7,184,334**	**617,136**	**(1,934,829)**	**4,345,953**

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 September 2018

	Six months to 30 September 2018 (unaudited) £	Six months to 30 September 2017 (unaudited) £	Year ended 31 March 2018 (audited) £
Cash flow from operating activities			
Profit for the period	166,071	135,778	404,684
Interest received	(22)	(887)	(3,596)
Income tax expense	55,640	58,191	123,390
Share based payment charge	59,483	69,517	135,262
Depreciation	25,149	12,685	31,639
Operating cash flows before movement in working capital	306,321	275,284	691,379
(Increase)/decrease in trade and other receivables	(82,468)	140,025	(759,491)
Increase/(decrease) in trade and other payables	114,679	(294,449)	76,997
Cash generated by operations	338,532	120,860	8,885
Income taxes paid	–	–	(116,368)
Net cash inflow/(outflow) from operating activities	**338,532**	**120,860**	**(107,483)**
Cash flow from investing activities			
Interest received	22	887	3,596
Purchase of property, plant and equipment	(19,860)	(33,367)	(76,827)
Acquisition of Goodwill	–	–	(625,000)
Acquisition of investment in an associate	(65,770)	–	(160,850)
Acquisition of investment	–	–	(121,104)
Net cash outflow from investing activities	**(85,608)**	**(32,480)**	**(980,185)**
Cash flows from financing activities			
Dividends paid	(193,960)	(163,255)	(254,945)
Net cash outflow from financing activities	**(193,960)**	**(163,255)**	**(254,945)**
Net increase/(decrease) in cash and cash equivalents	58,964	(74,875)	(1,342,613)
Cash and cash equivalents at beginning of the period	969,987	2,312,600	2,312,600
Cash and cash equivalents at end of the period	**1,028,951**	**2,237,725**	**969,987**

Notes to the Condensed set of Financial Statements for the six months ended 30 September 2018

1 General information

The Company and its subsidiaries (together ''the Group'') are a major provider of consultancy services to organisations that develop, fund or manage affordable housing.

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 08988813 in England and Wales. The Company's registered office is Tempus Wharf, 29a Bermondsey Wall West, London, SE16 4SA.

2. Basis of preparation

The unaudited condensed consolidated interim financial statements of the Group have been prepared on the basis of the accounting policies, presentation, methods of computation and estimation techniques used in the preparation of the audited accounts for the period ended 31 March 2018 and expected to be adopted in the financial information by the Company in preparing its annual report for the year ending 31 March 2019.

This interim consolidated financial information for the six months ended 30 September 2018 has been prepared in accordance with IAS 34, 'Interim financial reporting'. This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with International Financial Reporting Standard (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 September 2018 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period.

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group, therefore, continues to adopt the going concern basis in preparing its consolidated financial statements.

The financial statements are presented in sterling, which is the Group's functional currency as the UK is the primary environment in which it operates.

3. Segmental analysis

The Directors are of the opinion that the business of the Group is in a single activity. Nearly all business is conducted in sterling and within the UK. Some fees are received in Euros and US Dollars but in the Director's opinion these amounts are not significant and any changes in exchange rates would not have a material impact on the Group.

4. Share capital

The Company has one class of share in issue being ordinary shares with a par value of 5p.

Allotted, issued and called up ordinary shares of £0.05 each:

	Number	Amount called up and fully paid £
As at 1 April 2017	32,651,003	1,632,550
Issued during the period	–	–
As at 30 September 2017	32,651,003	1,632,550
Issued during the period	2,614,458	130,723
As at 31 March 2018	35,265,461	1,763,273
Issued during the period	–	–
As at 30 September 2018	**35,265,461**	**1,763,273**

As at 1 April 2018, 4,665,077 options were held by Directors and employees of the Group.

On 31 August 2018, 21,158 options were returned by an employee who left the business.

On 1 September 2018, 736,929 options were granted to Directors and employees of the Group.

As at 30 September 2018 a total of 5,380,848 options were held by Directors and employees of the Group.

Option exercise price are in a range of 5p to 29.5p.

5. Going concern

The Group has sufficient financial resources to enable it to continue its operational activities for the foreseeable future. Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing these interim accounts.

6. Dividend

An interim dividend of 0.29p will be paid on 21st December 2018 to shareholders on the register at 7th December 2018 at a cost of £102,270.

Directors and Advisers

Directors	Derek Joseph	*Chairman*
	Steven Douglas	*Joint Chief Executive*
	Fiona Underwood	*Joint Chief Executive*
	Susan Kane	*Group Finance Director*
	Jeffrey Zitron	*Executive Director*
	John Richard Wollenberg	*Executive Director*
	whose business address is: Tempus Wharf 29A Bermondsey Wall West London SE16 4SA Website: www.aquilaservicesgroup.co.uk (Telephone 020 7934 0175)	
Secretary	Fiona Underwood Tempus Wharf 29a Bermondsey Wall West London SE16 4SA	
Financial Adviser	Beaumont Cornish Limited 2nd Floor, Bowman House 29 Wilson Street London EC2M 2SJ	
Auditors	Saffery Champness LLP 71 Queen Victoria Street London EC4V 4BE	
Solicitors	Blake Morgan LLP One Central Square Cardiff CF10 1FS	
Bankers	National Westminster Bank plc 50 High Street Egham Surrey TW20 9EU	
Registrars	Neville Registrars Neville House Steelpark Road Halesowen B62 8HD (Telephone 0121 585 1131)	

Registered in England under the Companies Act 2006, registered no. 08988813.

Financial Calendar

Year	Date	Comments
2018	26 November	Interim results 2018 announced
	6 December	Ex-dividend date
	7 December	Record date
	21 December	Payment date for interim
2019	31 March	End of accounting year
	By 31 July	2018 Annual Financial Report to be published and announced
	July/August	Annual General Meeting
	September	Final dividend to be paid